

U.S. Coast Guard



2008 Budget in Brief and Performance Report



February 2007





THE COMMANDANT OF THE UNITED STATES COAST GUARD
WASHINGTON, D.C. 20593-0001

For more than two centuries, the U.S. Coast Guard has safeguarded our citizens, secured our maritime borders and served as a responsible steward of the world's oceans. With the Cold War in the past, we face new threats and challenges. We operate in an environment where piracy, illegal migration, drug smuggling, terrorism, arms proliferation and environmental crimes are carried out by anonymous, loosely affiliated perpetrators. At the same time, the potential for a terrorist act or natural disaster in one of our ports or along our coastline demands an unprecedented level of partnership and preparation, across all levels of government and the private sector.

America is a coastal Nation state. We rely on our oceans, rivers and lakes for food, energy, recreation, and commerce. With more than 90% of America's trade carried by sea, our response and recovery systems protect not only the population and our critical infrastructure, but also the economic lifeline of the entire nation.

We have done much in the wake of the 9/11 attacks and the devastation wrought by Hurricane Katrina to meet the threats and vulnerabilities converging in the maritime domain. Most recently, I promulgated a new *Coast Guard Strategy for Maritime Safety, Security, and Stewardship*. It will guide our actions in support of Department of Homeland Security goals and priorities, as we fully implement the President's *National Strategy for Maritime Security*. It addresses **Maritime Regimes, Domain Awareness** and **Operational Capabilities** that best position the Coast Guard to defeat the asymmetrical, transnational threats America will encounter in the future.

The 2008 Budget is vital to sustaining the Coast Guard's ability to support America's **Maritime Safety, Security and Stewardship** interests. It builds on our commitment to develop the most capable fleet of ships, aircraft, and command and control systems the Coast Guard has ever seen through the Deepwater program. It enhances our awareness of our maritime domain integrates Global Maritime Intelligence (GMII), and further invests in modernizing our national maritime distress system (Rescue 21). The Budget also consolidates the Coast Guard's specially trained deployable forces into a more agile, flexible Deployable Operations Group (DOG). This initiative is the first step in a multi-year strategy to realign our command and control structure with our mission support system, including human resources, maintenance, logistics, financial management and information systems, as we focus on improving and sustaining Mission Execution.

America's Coast Guard will be the most capable, adaptive, and responsive multi-mission, maritime and military service in our Nation's history. We will remain *Semper Paratus* to answer the call whenever and wherever America needs us.

THAD W. ALLEN
Admiral, U.S. Coast Guard



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Overview

The U.S. Coast Guard is the principal federal agency charged with maritime **Safety, Security** and **Stewardship**. As such, the Coast Guard protects vital interests of the U.S. - the personal safety and security of our population, our natural and economic resources, and the territorial integrity of our maritime borders – from internal and external threats, natural and man made. The Coast Guard protects these interests in U.S. ports and inland waterways, along the coasts, on international waters or in any other maritime region where U.S. interests may be at risk.

The Coast Guard generates public value through its roles and missions that ensure maritime **Safety, Security** and **Stewardship**. These roles and missions are enduring, long standing responsibilities, accrued to the Coast Guard over two centuries of service because they are inherently governmental, serve the collective good, and can be accomplished most effectively by a single federal maritime force.

The Coast Guard's multi-mission character is defined by its ability to conduct distinct yet complementary functions in the maritime domain—law enforcement, national defense, maritime mobility, maritime safety, environmental protection, and humanitarian response. This unique character positions the Coast Guard to meet a broad range of national interests within the maritime domain. The Coast Guard secures the nation's vast maritime border



while ensuring the safe and efficient transportation of people and goods. It protects the marine environment and guards natural resources. It defends our nation at home and abroad alongside the other Armed Services. And it saves the lives of those in distress, both at sea and ashore.



Safety



Stewardship



Security

The Coast Guard must look to the future and adapt to the changing needs of the nation. The Service's character, forged by its enduring roles of safety, security, and stewardship, has given it three key strengths for meeting tomorrow's challenges:

- *Broad authorities and an expansive network of partnerships* – The Coast Guard's comprehensive authorities combined with its culture of partnership are key to building layered security and safety systems.
- *Flexible, adaptable operational capability and presence* – Military, multi-mission capabilities, practiced daily throughout the nation's waters and far beyond, can be scaled quickly and effectively to meet all threats and all hazards.
- *Access and relevant expertise within the international community* – Common purpose with the world's maritime forces and a tradition of cooperation within international organizations enable the Coast Guard to forge global solutions to the global challenges in the maritime domain.

There are eleven specific statutorily-mandated Coast Guard mission-programs.^{1,2} Many of these mission-programs benefit more than one role, but each directly supports the roles of **safety, security and stewardship**. Table 1 shows



"As we adapt to meet new mission requirements we will retain our organizational character as military, multi-mission, maritime service. Our core values, principles of operation and leadership competencies-together with a bias for action remains fundamental to our success. This character has been tested from the rooftops of New Orleans to the oil platforms of the Persian Gulf. It sustains us."

Admiral Thad Allen, Commandant – 25 May 2006

the primary alignment of Coast Guard mission-programs to these roles.

Safety <i>Saving Lives & Protecting Property</i>	Security <i>Establishing & Maintaining a Secure Maritime System while Facilitating its Use for the National Good</i>	Stewardship <i>Managing the Sustainable & Effective Use of its Inland, Coastal and Ocean Waters & Resources for the Future</i>
Search and Rescue Marine Safety	Ports, Waterways & Coastal Security Illegal Drug Interdiction Undocumented Migrant Interdiction Defense Readiness Other Law Enforcement	Marine Environmental Protection Living Marine Resources Aids to Navigation Ice Operations

Table 1

¹ The term "mission-program" is used by the Coast Guard to identify one of its 11 statutorily mandated missions that guide Coast Guard budget presentations as well as strategic planning, programming and performance.

² Section 888 of the Homeland Security Act defines Coast Guard missions in terms of homeland security missions and non-homeland security missions.

Strategic Intent

The Coast Guard has broad responsibilities for safeguarding America's maritime domain – the Coast Guard's preeminent contribution to America's national security and prosperity. Today, the Coast Guard stands watch over the safety and security of all Americans and provides the stewardship of the ocean, lakes, rivers and waterways that serve this nation so richly. The Coast Guard is uniquely vested with the authorities and competencies to guard the homeland, protect critical infrastructures, uphold U.S. maritime sovereignty, and safeguard American citizens and interests.

Today the threats and challenges facing the nation are dynamic and growing. Changes in the world geopolitical situation, economic globalization, shifting demographics, technological advances, and the reality of finite resources and fragile environments will continue to dramatically affect U.S. maritime interests in the years to come. The oceans and U.S. waterways, in addition to carrying commercial trade vital for America's economic health, are potential conduits for transnational threats such as international terrorism, proliferation of weapons of mass destruction, infectious diseases, illegal migration, drug smuggling, pollution and over-fishing.



"The Coast Guard is the world's premier lifesaving service, and the whole world saw your skill and bravery during the hurricanes last year. They saw Coast Guard rescuers plunging from helicopters, lifting people from roof-tops, hoisting them to safety. In all, more than 4,000 Coast Guard personnel came to the aid of their fellow Americans and rescued more than 33,000 citizens. One of those saved said this

about her rescuers: 'They're my guardian angels. I couldn't be here if it wasn't for them.'"

President Bush – 25 May 2006

To meet these challenges, it is essential that America effectively exercises its sovereignty over the maritime domain. To do this, the Nation must be able to exercise control over the 3.4 million square miles of territorial sea and Exclusive Economic Zone (EEZ) waters, and it must be able to exercise influence across the global maritime domain to detect and defeat threats as far as possible from U.S. shores.

The nature of the maritime domain requires an integrated, layered approach to its security. It is precisely this reality that led the President to issue the *National Strategy for Maritime Security* (NSMS). This strategy is unprecedented in its dedicated focus on the maritime domain and the necessity for its global security. The NSMS addresses the full range of maritime threats and is not limited to terrorism. The NSMS serves as the maritime cornerstone in support of the National Strategy for Combating Terrorism and the attendant National Implementation Plan.

The Commandant of the Coast Guard has put forth an aggressive effort to align Coast Guard capabilities to better respond to the dynamics associated with the current maritime environment to best support the NSMS. Three such endeavors include:

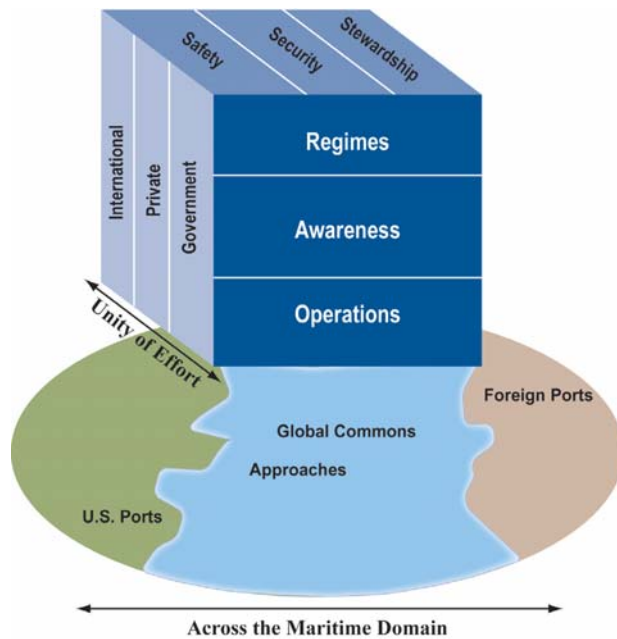
- Publication of the *U.S. Coast Guard Strategy for Maritime Safety, Security, and Stewardship*
- An organizational alignment plan
- A "Strategic Trident" force structure

The Coast Guard's Strategy

The *U.S. Coast Guard Strategy for Maritime Safety, Security, and Stewardship* describes how the U.S. Coast Guard will work to safeguard the nation against all threats, hazards, and challenges in the maritime domain, today and in the future. It discusses the Coast Guard's enduring roles, future challenges and threats, and a systems approach for improving maritime governance. From these foundations, the Strategy presents six strategic priorities that build on the Coast Guard's strengths and best focuses its capabilities to serve the nation.

A Systems Approach to Maritime Governance

Past efforts and current initiatives are best understood when viewed as parts of a larger inter-locking system of governance comprised of **maritime regimes, domain awareness, and operational capabilities**.



Regimes are the system of “rules” that shape acceptable activity. Statutes, regulations, and international agreements, conventions, and standards all establish the maritime “rule set.” Domain awareness allows for the detection and monitoring of activities using situational awareness and intelligence. Together, regimes and awareness inform decision makers and trigger national action when necessary. Operational capabilities allow authorities to deter, respond to, verify, and counter threats. These activities require participation from federal, state, local, private and international partners and demand unity of effort. They must also be global in scope and built upon a foundation of international cooperation.

Strategic Priorities for the U.S. Coast Guard

This *Strategy* identifies six cross-cutting priorities for improving the nation’s preparedness and advancing U.S. maritime interests in maritime safety, security, and stewardship:

- **Strengthening regimes for the U.S. maritime domain:** The nation needs a set of coordinated and inter-locking domestic and international regimes that increase transparency of activity, reduce risk, and balance competing uses within the maritime domain. The Coast Guard will work with Department of Homeland Security (DHS), interagency partners,

U.S. maritime stakeholders, and the international community to update and strengthen existing maritime regimes and put in place new regimes where needed to address emerging challenges and threats.

- **Achieving awareness in the maritime domain:** The nation needs a greater awareness and effective understanding of maritime activity. This will require greater collection and sharing of data, as well as increased cooperation in fusing, analyzing, and disseminating maritime information. The Coast Guard will work with the Department of Defense (DoD), U.S. inter-agency partners, state and local governments, the private sector, and the international community to implement the *National Plan to Achieve Maritime Domain Awareness*.
- **Enhancing unity of effort in maritime planning and operations:** The nation must better integrate its operational capabilities and efforts across government and with private sector partners. To support this, the Coast Guard will improve its integrated planning with all partners, network of command and control centers, and operational capabilities. The Coast Guard will also align its operational structure around shore based, maritime patrol, and deployable specialized forces to better allow force packaging and scalable response to all threats and all hazards.
- **Integrating Coast Guard capabilities for national defense:** The nation needs both U.S. Navy and Coast Guard capabilities along its own coasts, on the high seas, and deployed abroad in support of U.S. national security interests. Coast Guard assets should be ready to serve in support of the Combatant Commanders and the *National Military Strategy* (NMS). To achieve this, the Coast Guard will better integrate its capabilities with DoD and optimize its forces within a Navy/Coast Guard relationship. This will build upon the “National Fleet” model and support the NMS as well as the NSMS and its subordinate plans.
- **Developing a national capacity for Marine Transportation System recovery:** The nation needs a coordinated, integrated approach to planning for and responding to major disruptions in the MTS. The Coast Guard will leverage its authorities, responsibilities, and capabilities to lead the national planning agenda for assuring the continuity of commerce and critical maritime activities.
- **Focusing international engagement on improving maritime governance:** The nation benefits from

strong maritime relationships and capacities around the world because today's global maritime system ties U.S. interests and welfare to the effective maritime governance of all nations and the global commons. The Coast Guard will focus its international efforts to assist maritime organizations and partner nations in building the sustainable regimes, awareness, and operational capabilities necessary to improve the governance of the global maritime domain.

Organizational Alignment

Past events have revealed the critical role the Coast Guard plays in providing safety, security and stewardship of our national maritime interests. The sinking of the *Titanic* laid the foundation for the Coast Guard's premier role in maritime safety. The *Exxon Valdez* oil spill was the catalyst to the Coast Guard's much improved and highly visible maritime stewardship responsibilities. The response to the terrorist attacks of September 11th and subsequent participation in the Global War on Terrorism, have clearly showcased the Coast Guard's key role in providing vital maritime security.

The Coast Guard's transfer from the Department of Transportation to the Department of Homeland Security was a significant step forward in providing for a capability that can respond to the evolving demand to protect our homeland.

It is of paramount importance that the Coast Guard continue to adapt in order to sustain and enhance overall mission execution. As a result, the Coast Guard is undertaking an organization-wide effort to restructure and realign command-and-control and mission-support (including organizational structures, human resources, maintenance, logistics, financial management, acquisition oversight and information systems) to ensure more effective and efficient mission execution. Efforts currently underway include the consolidation of all acquisitions oversight functions to ensure the optimal balance of contract and administrative personnel between each major acquisition. Additionally, alignment between the command and control structure within Coast Guard Headquarters and field unit organization will ensure more robust oversight of Coast Guard functions and ensure optimal mission balance.

This alignment will result in purposeful, service-wide transformation and enhancement designed to better enable the Coast Guard to meet the current and future needs of the nation. The Coast Guard will become a more flexible,



To adapt to today's operational environment and sustain mission execution into the future we must:

- Take immediate steps to reorganize our operational forces;
- Improve our service and support systems;
- Better align with our departmental and interagency partners; and
- Make our logistics and financial systems more efficient and accountable.

agile and responsive organization capable of working effectively with our interagency partners.

Furthermore, overall Coast Guard mission execution will be enhanced; we will be even better prepared to fulfill our duty to the nation. This new operational framework will facilitate the timely and accurate flow of information and direction among the strategic, operational and tactical levels of mission execution. A new command and control system will evolve that is more agile, adaptive and responsive, improving mission execution and effectiveness.

The “Strategic Trident”

Events, such as the 9/11 terrorist attacks and Hurricane Katrina, have demonstrated the importance of preparing for complex threat situations and highlight America’s growing vulnerability. Although the U.S. capacity to save lives in the aftermath of these tragedies proved unparalleled, more can be done to prepare for and respond to the next major disaster. There is no single solution to maritime border security. It requires a layered system of capabilities, established competencies, clear authorities, and strong partnerships. The risk of allowing “blind spots” to exist in our awareness, security regimes or operational capabilities is too high.

The Coast Guard is undertaking aggressive activities to prepare for emerging threats and challenges via the “Strategic Trident” Force Structure:

- **Multi-mission Shore Based Force.** The consolidation of these shore-based forces at the port level into Sector commands provides full integration of port and costal operations.
- **Maritime Patrol and Interdiction Forces.** Our Deepwater acquisition will integrate our maritime presence and patrol capability, allowing the Coast Guard to meet and defeat threats at the greatest distance from our shores.
- **Deployable Specialized Forces.** Deployable teams will be placed under one command, designed to integrate with the Department of Homeland Security, and other federal agencies, to create a more agile force that can deploy whenever needed.

The President’s Fiscal Year (FY) 2008 Budget Request maintains a mission focused Coast Guard that remains capable of answering the Nation’s call. Challenges to maintaining America’s maritime sovereignty are looming,

and the key strategic actions the nation must take lie in three areas: improving *operational capability*, building *maritime awareness* where little exists, and developing new legal and international frameworks – *maritime regimes* – that reconcile increasing uses of the maritime domain with the need to protect our nation and all partner nations.





PASCAGOULA, Miss. (Nov. 11, 2006) -- Captain Patrick W. Stadt, commanding officer of the National Security Cutter BERTHOLF, stands with his crew in front of BERTHOLF after the cutter was christened on Veteran's Day 2006. BERTHOLF is the first new cutter to be delivered through the Deepwater program and the first new high endurance cutter built for the Coast Guard in 35 years.

2008 Budget in Brief

The key strategic actions the nation must take lie in three areas: *improving operational capability*, building *maritime awareness* where little exists, and developing new legal and international frameworks—

maritime regimes – that reconcile increasing uses of the maritime domain with the need to protect our nation and all partner nations.

Improve Operational Capability	Build Awareness	Create Maritime Regimes
<p>“Strategic Trident” Force Structure</p> <ul style="list-style-type: none"> • Deployable, specialized – Deployable Operations Group • Maritime patrol & interdiction – Deepwater • Multi-mission, shore-based Sectors <p>Port & Coastal Security Response</p> <ul style="list-style-type: none"> • Response Boat- Medium • Atlantic Area Deployment Center • Rescue 21 • High Frequency Communications Recapitalization 	<p>Integrated Command Centers</p> <ul style="list-style-type: none"> • Command Center Enhancements • Interagency Unity of Effort <p>Maritime Domain Awareness Gaps</p> <ul style="list-style-type: none"> • Nationwide Automatic Identification System (NAIS) • Maritime Patrol Aircraft (CASA) <p>Leverage Partnerships</p> <ul style="list-style-type: none"> • Interagency-enabled Command Centers • National Maritime Intelligence Center (NMIC) 	<p>Maritime Domain Management</p> <ul style="list-style-type: none"> • Transportation Worker Identification Card (TWIC) • Understanding the “unregulated” (e.g. recreational boating) <p>International Engagement</p> <ul style="list-style-type: none"> • International Maritime Organization (IMO) • Regional Cooperation / Bilateral agreements <p>Ocean / Arctic Policy</p> <ul style="list-style-type: none"> • National Polar Icebreaking Policy • Open Ocean Commerce

Improving Operational Capability

In addition to the Coast Guard’s “Strategic Trident” Force Structure, other key attributes play a significant factor as well in addressing emerging threats and hazards:

Control and Extend our Maritime Borders

- *Advanced Interdiction & Extended Offshore Operations.* Vessels delivered by the Deepwater program will serve as the Coast Guard’s “eyes and ears” and allow the nation to see, hear and communicate activity occurring within the maritime domain. More capable Deepwater assets, linked to each other and to multiple agencies through



a command-and-control system will improve interoperability and serve to push our borders, providing the first layer in a multi-layer defense.

- *WMD Detection.* The Coast Guard continues to make progress in capabilities to detect weapons of mass destruction. Boarding and inspection teams will have basic radiation detection capabilities (Personal Radiation Detectors a.k.a. “Radiation Pagers”) by the end of fiscal year 2007. The Coast Guard also continues to work with the Domestic Nuclear Detection Office to strengthen WMD detection capabilities and implement new technologies as they become available.

“All Hazards...All Threats”

- *Adaptive Force Packaging.* Integrating Coast Guard deployable forces with other DHS resources such as U.S. Customs and Border Patrol (CBP) and U.S. Immigration and Customs Enforcement (ICE) law enforcement and the Federal Emergency Management Agency (FEMA) urban search and rescue teams, allows for adaptive force delivery that can respond to all hazards and threats.

“Strategic Trident” Force Structure	Deployable Operations Group (DOG) \$132.74M base re-allocation (OE)	The DOG aligns the Coast Guard’s Deployable, Specialized Forces (DSF) under a single unified command. It will focus on improving contingency planning, developing adaptive force packaging.
	Personnel Consolidation \$80.5M base re-allocation	Consolidates all AC&I personnel funding into the Operating Expenses (OE) appropriation to maximize efficiencies and leverage potential synergies in acquisition oversight.
	Surface and Air asset follow-on \$55.5M (OE)	National Security Cutter (NSC) Crew Rotation Concept – A rotating crew concept will be implemented to sustain 230 day OPTEMPO on the NSCs. HC-130J Operations follow-on – This request provides operation and maintenance funding for 800 annual flight hours for the Coast Guard’s HC-130J aircraft. These 800 flight hours, combined with the 3,200 flight hours already appropriated, will enable the Coast Guard to meet its full operating capability requirement of 4,000 flight hours for five HC-130J operational aircraft.
	Special Purpose Craft-Law Enforcement Boat (SPC-LE) follow-on \$3.291M (OE)	Increased boat allowances will support Certain Dangerous Cargo (CDC) and high-capacity passenger vessel security, migrant and drug interdiction, shoreside and waterborne patrols, and boards of High Interest Vessels (HIV).
	Rescue Swimmer Training Facility \$13.3M (AC&I)	Rescue Swimmers are a vital component of the Coast Guard’s Search and Rescue mission. Funds will allow for the construction of a new Rescue Swimmer Training Facility, simulator, classrooms and dunker tank.
	Operational Adjustments \$111.7M (OE)	Energy Increases – Increases in fuel prices demand an increase in energy funds to ensure operational tempo is sustained. Depot Level Maintenance – Funds maintenance costs that exceed the 1.9% non-pay inflation rate.
	Response Boat-Medium \$9.2M (AC&I); \$236K (OE)	Request will allow for contractor program management, materials, services, and equipment for the completion of the 12 hulls funded in previous budgets.
Port and Coastal Security Response	Rescue 21 \$80.8M (AC&I); \$8.173M (OE)	Funds vessel radio equipment upgrade and replacement, infrastructure preparation and installation in the Northeast, West Coast and Alaska.
	High Frequency Communications Recapitalization \$2.5M (AC&I); \$450K (OE)	Funds requested will allow for the purchase and installation of 12 high-frequency transmitters.

Table 2 – Summary of Improving Operational Capability Initiatives

- *Interagency Unity of Effort.* Threats can take many forms and have potential to involve destructive chemical, biological, radiological and nuclear weapons. In the face of such challenges, there must be a nationally integrated “all hazards and all threats” capability - comprehensive and linked to federal, state, local and private sector partners. The Coast Guard has led coordinated planning and response to simulated Spills of National Significance (SONS). Through the National Fleet concept, Coast Guard and Navy forces have united to create a set of capabilities to secure the Nation from all threats.
- *Nimble, effective Response and Recovery Systems to secure critical infrastructure systems.* In the wake of Hurricane Katrina, the Coast Guard chartered the Maritime Recovery and Restoration Task Force (MR2TF) to help develop an understanding of the Marine Transportation System (MTS) recovery and restoration process. Lessons learned have generated ways to improve maritime transportation system recovery after future incidents.

Building Awareness:

Global Maritime Intelligence Integration

- *Collections Capability.* The Coast Guard’s Intelligence Coordination Center is co-located with the Office of Naval Intelligence, which comprises the National Maritime Intelligence Center (NMIC). The NMIC has been designated as the core element for the Global Maritime Intelligence Integration (GMII) Plan. The GMII Plan is one of the eight support plans that make up the National Strategy for Maritime Security (NSMS). The Coast Guard’s Intelligence Coordination Center (ICC) and the Office of Naval Intelligence (ONI) have been the focus of the GMII effort thus far.



Maritime Domain Awareness

- *Vessel Tracking.* Securing our vast maritime borders requires improved awareness of the people, vessels and cargo approaching and moving throughout U.S. ports, coasts and inland waterways. The most pressing challenges we now face involve tracking varied and numerous vessels operating in and around the approaches to the U.S. In support of this, the Coast Guard is using Automatic Identification System (AIS) technology to provide continuous, real-time information on the identity, location, speed and course of vessels in ports that are equipped with AIS receivers. The Coast Guard’s Nationwide Automatic Identification (NAIS) project will expand AIS capabilities to ports nationwide.
- *Common Operating Picture (COP).* The Common Operating Picture (COP) and corresponding Command Intelligence Picture (CIP) must continue to grow and expand to federal, state and local agencies with maritime interests and responsibilities. The COP provides a shared display of friendly, enemy/suspect and neutral tracks on a map with applicable geographically referenced overlays and data enhancements. The COP also ties Deepwater assets and operational commanders together with dynamic, real-time maritime domain information.
- *Port/Coastal Surveillance.* The ability to provide a layered defense - to protect, prevent, and respond - for all of the nation’s needs in port and coastal areas is contingent upon being able to detect and understand events. This “Maritime Domain Awareness” (MDA) includes monitoring vessels, people, cargo, and critical infrastructure in ports and coastal waters. In addition to manned patrols (boats, aircraft, cutters), the Coast Guard employs Automatic Identification System (AIS) technology, Vessel Traffic Systems, improved methods for collecting merchant mariner information, Rescue 21 and advanced sensors for Deepwater assets. Additionally, the Coast Guard is deploying Field Intelligence Support Teams (FISTs) in many port areas.
- *Information Sharing.* One of the important findings of the 9/11 report was not that information was unavailable, but that it was not properly shared and understood. As co-lead of the national MDA effort, and a principle stakeholder in the GMII plan, the Coast Guard is working to overcome barriers to information sharing. Projects such as Maritime Awareness Global Network (MAGNET) and AIS are addressing both policy and technology solutions.

Leveraging Partnerships

- *Interagency Enabled Command Centers.* The Coast Guard is well positioned and uniquely equipped to contribute to the growing relationships among DHS and the Departments of Defense and Justice, as well as the Director of National Intelligence. The Coast Guard seeks to strengthen relationships across federal,

state, local and tribal communities to help facilitate information sharing and unity of effort.

- *National Maritime Intelligence Center (NMIC).* The Coast Guard Intelligence Program and the Office of Naval Intelligence continue to build an effective joint intelligence partnership to enhance maritime domain awareness.

Integrated Command Centers	National Capital Region Air Defense (NCRAD) \$11.5M (AC&I); \$4.254M (OE)	This increases the U.S. Coast Guard HH-65C fleet by seven HH-65C helicopters and related support facility improvements. These helicopters support the newly-assigned mission providing air intercept to protect the National Capital Region.
	Systems Engineering and Integration \$35.145M (AC&I)	Systems Engineering and Integration, as part of the Deepwater solution, is essential to ensuring interoperability at the unit, system and organizational levels, both internal to the Coast Guard and with other DHS and DoD assets. Effective systems integration will minimize the cost of asset acquisition, operations and maintenance, maximize the assets' abilities to interoperate internally and externally, and minimize the risk.
Maritime Domain Awareness Gaps	Nationwide Automatic Identification System (NAIS) \$12M (AC&I)	Funds requested will continue implementation of NAIS to achieve Initial Operating Capability (IOC) for receive and transmit capability of AIS messages nationwide. Funding also covers costs associated with systems currently in place and operational.
	Maritime Patrol Aircraft (CASA) \$170M (AC&I)	Funds production of numbers 9-12 of the Maritime Patrol Aircraft, or CASA, as well as missionization and logistics to outfit them for "mission ready" to increase maritime domain awareness capabilities.
Leverage Partnerships	Counterintelligence (CI) Service follow-on \$2M (OE)	Provides funding for additional personnel and operations to support the Coast Guard's CI program, involving protection of information, personnel and facilities from espionage, sabotage, terrorism and other hostile actions by all adversaries.
	Maritime Security Response Team (MSRT) Shoothouse \$1.8M (AC&I); \$644K (OE)	Funding will allow the Coast Guard to construct a shoothouse training facility at Camp Lejeune, NC, for the Special Mission Training Center to train deployable forces. These specialized forces rely on interagency support to train their members to ensure standardization and integration with DoD forces. Request also includes funding to complete equipment and training requirements for the Maritime Security Response Team's (MSRT) third Direct Action Section (DAS) and CBRNE Section funded in fiscal year 2007.
	Bridges Authority Transfer to MARAD (\$2.65M) (OE)	Portions of the Bridges Administration Program, a legacy program charged with maintaining the safe and reasonably unhindered passage of marine traffic on all navigable waterways, are not optimally aligned with the Coast Guard's multi-mission interests and are better suited to the U.S. Department of Transportation's Maritime Administration (MARAD). Transferring 23 personnel associated with alterations, permits, and drawbridges will allow MARAD to more effectively manage the Alteration of Bridges appropriation and the Federal Highways Trust Fund within one agency.

Table 3 – Summary of Maximizing Awareness Initiatives

Creating Maritime Regimes:

Port security, and the broader concept of maritime security, cannot be reduced to a single threat vector, a single vulnerability, a specific location, or a single unifying legal theory. Maritime security impacts, and is impacted by, an interwoven system of national interests, legal frameworks, economic structures, intermodal transportation systems, and the environment. Our challenge is complex and requires an investment in strategic thinking; much is yet to be done.

Maritime Domain Management

- *Understanding the “Unregulated.”* Entry into the air and space domain is strictly managed through the use of technology, but the oceans are the last global commons. There are long-standing legal principles of freedom of navigation, right of innocent passage and the like. Our challenge in a post-9/11 environment is to reconcile the use of those waters for commerce and transportation with the need to protect our nation, know what’s out there, understand if there are threats and defeat those threats at the greatest distance.
- *Screening Systems, Credentialing, Critical Infrastructure.* Understanding and managing the organization, and potential threat, of maritime industry personnel requires a well-reasoned and uniformly applied credentialing system. Working in concert with DHS and other federal partners, the Coast Guard will develop a means for merchant mariner licensing and documentation that strikes a balance between critical national security and maritime commerce interests. Additionally, as the Transportation Security Administration rolls out the Transportation Worker Identification Credential (TWIC) in the maritime mode, the Coast Guard will ensure the enforcement regime is in place and the standards are applied uniformly across the country. These efforts contribute, both directly and indirectly, to implementation of the newly signed National Infrastructure Protection Plan (NIPP).

International Engagement

- *International Maritime Organization.* Recently, under U.S. leadership the International Maritime Organization unanimously adopted a global Long Range Identification and Tracking scheme that will provide information on all commercial ships of 300 gross tons and above operating within 1,000 nautical

miles of our coast whether the ship is bound for a U.S. port or is in innocent passage. We will continue to partner with the international community to ensure an open flow of information and ideas.

- *Regional Cooperation/Bilateral Agreements.* The Coast Guard continues to work with foreign nations in order to protect the safety and security of the American people. As directed by MTSA, the Coast Guard’s International Port Security Program has begun visiting foreign countries to assess the effectiveness of anti-terrorism measures in foreign ports. Working with partners around the world, the Coast Guard has internationalized the process by having our country audit protocols adopted by international forums such as the Asia Pacific Economic Cooperation Forum (APEC) and the International Maritime Organization (IMO). We actively conduct assessments on a scheduled basis and continue to refine policy related to country prioritization rationale, auditing protocols and assessment methodology.



In addition to regional cooperation, the Coast Guard continues to enter into bilateral agreements with such nations as Ecuador, Colombia and Mexico. These agreements are a critical part of our Counter-Drug strategy and have enabled the Coast Guard to seize and remove an all time maritime record amount of cocaine in fiscal year 2005. The Coast Guard is on pace to meet or exceed fiscal year 2006 goals. The Coast Guard will continue to leverage existing bilateral agreements and to look for other such opportunities.



Ocean/Arctic Policy

- *Icebreaking National Policy Decision.* As global warming continues to affect the earth's climate and landscape, the probability of ice melting in the Northwest Passage will have significant economic, political and security impacts, and highlights the need for a fresh review of national policy regarding polar icebreaking missions. We need a revised national policy decision on icebreaking to allow for more effective planning of future icebreaking

responsibilities and to preserve the nation's interests in this important maritime arena.

- *Open Ocean Commerce.* The world's appetite for and reliance upon fossil fuels requires private sector investigation of alternate energy sources like wind farms. As this technology and the subsequent economic opportunity mature the Coast Guard needs to work in unison with legislative and commercial partners to help preserve maritime safety and security on the open oceans.

Organizational Effectiveness

The Coast Guard continually seeks ways to maximize its return on investment to the American people. For example, the Coast Guard has reorganized its field infrastructure by unifying previous Groups and Marine Safety Offices into "Sector" commands. This restructuring unifies effort and command at the port level, strengthens maritime border security, and improves information sharing by providing a single point of Coast Guard service at the port level.

HITRON Lease Expiration \$21.501M (OE)	This initiative provides savings associated with the termination of the Coast Guard's Helicopter Interdiction Squadron (HITRON) lease, operating expenses and personnel billets on January 31, 2008. The HITRON initiative to lease eight MH-68 helicopters was developed as a bridging strategy to bolster the Coast Guard's illegal drug interdiction capability and support Port, Waterways and Costal Security (PWCS) missions until the service could arm its organic helicopter fleet. The leased HITRON MH-68 helicopters will be replaced with Coast Guard Airborne Use of Force (AUF) equipped, re-engined MH-65C helicopters at the Jacksonville, Florida facility.
Terminate the LORAN-C Program \$7.2M (OE) base re-allocation	Based on numerous studies, solicitations to modal partners, and public comment, all of which found LORAN-C is neither necessary, nor cost effective, to meet the nation's positioning, navigation or timing requirements. With no requirement or clear need for LORAN-C, disestablishing the system demonstrates sound stewardship of the nation's resources. This base reallocation will redirect funding to support the completion of Phase I of a four-year project to decommission the LORAN-C radio-navigation system. The personnel and Operating and Maintenance (O&M) savings will be reinvested in the Coast Guard base funding to apply towards closure costs for this project over the next four years.
Civil Engineering High Performing Organization Initiative \$267K (OE) savings	Projected savings are attributed to the Coast Guard Civil Engineering (CE) program's effort to achieve High Performing Organization (HPO) status, per OMB Circular A-76. In February 2006 the CE program developed a Business Case Analysis (BCA) for program reorganization capable of saving an estimated 57 personnel. In FY 2008 the majority of the savings derived from this effort are required to fund critical, one-time costs essential to completing the HPO process, to include: relocations, infrastructure support (new leases, facilities), new software applications, personnel training, and other personnel costs associated with workforce reductions (Voluntary Early Retirement Authority/ Voluntary Separation Incentive Pay).

Table 4 – Summary of FY 2008 Base Decreases and Re-Allocations

Section 2: FY 2008 Appropriation Summary

Below is a summary by appropriation of the President's 2008 budget request for the Coast Guard. Following the summary are additional details of each appropriation, by Program, Project or Activity (PPA). The Coast Guard is tasked with a suite of eleven interdependent mission-

programs. Owing to its multi-mission character, funding is not appropriated by mission-program. Instead, the substantial portion of discretionary funding is appropriated for Coast Guard "Operating Expenses," which supports all Coast Guard mission-programs.

Appropriation (\$000)	2006 Actual	2007 Enacted	2008 Request
Operating Expenses (OE)	5,433,589	5,568,162	5,894,295
Reserve Training (RT)	115,757	122,448	126,883
Environmental Compliance and Restoration (EC&R)	10,871	10,880	12,079
Acquisition, Construction, and Improvements (AC&I)	846,122	1,306,145	949,281
Alteration of Bridges	18,015	16,000	0
Research, Development, Testing and Evaluation (RDT&E)	17,509	17,000	17,583
Health Fund Contribution (HFC)	260,533	278,704	272,111
SUBTOTAL, DISCRETIONARY FUNDING	6,702,396	7,319,339	7,272,232
Retired Pay	1,005,804	1,063,323	1,184,720
Boating Safety	113,401	117,222	122,000
Oil Spill Liability Trust Fund (OSTLF)	139,442	126,900	147,270
Gift Fund	1,563	80	80
SUBTOTAL, MANDATORY FUNDING	1,260,210	1,307,525	1,454,070
Total, Appropriations	7,962,606	8,626,864	8,726,302

Operating Expenses (OE)

Actual, fiscal year 2006.....\$5,433,589,000
 Appropriation, fiscal year 2007.....\$5,568,162,000
 Budget estimate, fiscal year 2008.....\$5,894,295,000
 Total appropriation compared with:
 Appropriation, fiscal year 2007.....+326,133,000

Mission

The Operating Expenses appropriation provides funding for the operation and maintenance of multipurpose vessels, aircraft, and shore units strategically located along the coasts and inland waterways of the United States and in

selected areas overseas. This is the primary appropriation financing operational activities of the Coast Guard. Figure 1 provides detailed breakdown by Program, Project or Activity (PPA), and can be found on page 17 of this section.

Acquisition, Construction and Improvements (AC&I)

Actual, fiscal year 2006.....	\$846,122,000
Appropriation, fiscal year 2007.....	\$1,306,145,000
Budget estimate, fiscal year 2008.....	\$949,281,000
Total appropriation compared with:	
Appropriation, fiscal year 2007.....	-356,864,000

Mission

The Acquisition, Construction, and Improvements appropriation finances the acquisition of new capital assets, construction of new facilities, and physical improvements to existing facilities and assets. The appropriation covers Coast Guard-owned and operated vessels, aircraft, shore facilities, and other equipment such as computer systems, as well as the personnel needed to manage acquisition activities.

Beginning in fiscal year 2008, the AC&I personnel account will be transferred to the OE appropriation (\$80.5

million transfer). This funding transfer will significantly improve the Coast Guard's ability to successfully manage, oversee and administer Coast Guard AC&I contracts. Consolidating all AC&I personnel funding into the OE appropriation will allow the Coast Guard to maximize efficiencies and leverage potential synergies in acquisition oversight, as well as increase the Coast Guard's ability to surge personnel to AC&I related positions as appropriated project funding levels fluctuate.

A detailed breakout of the Coast Guard's five-year Capital Investment Plan (CIP) that identifies all major acquisitions requested can be found on page 18 of this section.

Environmental Compliance and Restoration (EC&R)

Actual, fiscal year 2006.....	\$10,871,000
Appropriation, fiscal year 2007.....	\$10,880,000
Budget estimate, fiscal year 2008.....	\$12,079,000
Total appropriation compared with:	
Appropriation, fiscal year 2007.....	+1,199,000

Mission

The Environmental Compliance and Restoration appropriation assists in bringing Coast Guard facilities into compliance with applicable federal, state and environmental regulations; conducting facilities response plans; developing pollution and hazardous waste minimization strategies; conducting environmental

assessments; and conducting necessary program support. These funds permit the continuation of a service-wide program to correct environmental problems, such as major improvements of storage tanks containing petroleum and regulated substances. The program focuses mainly on Coast Guard facilities, but also includes third party sites where Coast Guard activities have contributed to environmental problems.

Reserve Training (RT)

Actual, fiscal year 2006.....	\$115,757,000
Appropriation, fiscal year 2007.....	\$122,448,000
Budget estimate, fiscal year 2008.....	\$126,883,000
Total appropriation compared with:	
Appropriation, fiscal year 2007.....	+4,435,000

Mission

This appropriation provides for the training of qualified individuals who are available for active duty in time of war

or national emergency or to augment regular Coast Guard forces in the performance of peacetime missions. Program activities fall into the following categories:

Pay, Benefits and Allowances – Funds the costs associated with salaries, benefits and other compensation for full-time staff that support members of the Selected Reserve.

Operations, Maintenance and Administration – Funds the costs related to training Reservists, administering the Reserve program, and the portion of organizational costs shared by the Reserve Training appropriation for the day-to-day operation and maintenance of the Coast Guard Reserve program.

Medicare-Eligible Retiree Health Care Fund Contribution

Actual, fiscal year 2006.....	\$260,533,000
Appropriation, fiscal year 2007.....	\$278,704,000
Budget estimate, fiscal year 2008.....	\$272,111,000
Total appropriation compared with:	
Appropriation, fiscal year 2007.....	-6,593,000

Mission

The Medicare-Eligible Retiree Healthcare Fund Contribution (HFC) will provide funding to maintain the cost of accruing the military Medicare-eligible health benefit contributions to the Department of Defense Medicare-Eligible Retiree Health Care Fund.

Contributions are for future Medicare-eligible retirees currently serving on active duty in the Coast Guard, retiree dependents, and their potential survivors. The authority for the Coast Guard to make this payment on an annual basis was provided in P. L. 108-375, the 2005 Defense Appropriations Act.

Retired Pay

Actual, fiscal year 2006.....	\$1,005,804,000
Appropriation, fiscal year 2007.....	\$1,063,323,000
Budget estimate, fiscal year 2008.....	\$1,184,720,000
Total appropriation compared with:	
Appropriation, fiscal year 2007.....	+121,397,000

Mission

This appropriation provides for the retired pay of military personnel of the Coast Guard and the Coast Guard Reserve, including career status bonuses for active duty personnel. Also included are payments to members of

the former Lighthouse Service and beneficiaries pursuant to the retired serviceman's family protection plan and survivor benefit plan, as well as payments for medical care of retired personnel and their dependents under the Dependents Medical Care Act.

Boat Safety (Aquatic Resources Trust Fund)

Actual, fiscal year 2006.....	\$113,401,000
Appropriation, fiscal year 2007.....	\$117,222,000
Budget estimate, fiscal year 2008.....	\$122,000,000
Total appropriation compared with:	
Appropriation, fiscal year 2007.....	+4,778,000

Mission

This appropriation is designed, through preventive means, to minimize the loss of life, personal injury, property damage and environmental impact associated with the use

of recreational boats in order to maximize safe use and enjoyment of U.S. waterways by the public. In its role as the designated National Recreational Boating Safety (RBS) Program Coordinator, the Coast Guard is charged

with managing dedicated user fee funding to support the National RBS Program provided from the Sport Fish Restoration and Boating Trust Fund (formerly Aquatic Resources Trust Fund). Under the provisions of the Sport fishing and Recreational Boating Safety Act of 2005 (Subtitle A, Title X, P.L. 109-59), the Coast Guard receives

a percentage distribution of total trust fund receipts from the preceding Fiscal Year (FY) (i.e. FY08 funding will be a percentage of FY07 trust fund receipts), and a portion of the funds drawn out of the Boat Safety Account of the trust fund.

Oil Spill Recovery

Actual, fiscal year 2006.....	\$139,442,000
Appropriation, fiscal year 2007.....	\$126,900,000
Budget estimate, fiscal year 2008.....	\$147,270,000
Total appropriation compared with:	
Appropriation, fiscal year 2007.....	+20,370,000

Mission

The Oil Spill Recovery fund provides a source of funds for removal costs and damages resulting from oil spills, or the substantial threat of a spill, into navigable waters of the U.S. In accordance with the provisions of the Oil Pollution

Act of 1990 (OPA 90), the President may make available up to \$50 million annually from the fund for oil spill removal activities. The fund supports the Coast Guard's stewardship role by providing payment for all valid claims for removal costs and damages including claims for natural resource damages resulting from oil spills.

Estimates by Program/Project Activity (\$000)	2007 Enacted	2008 Request
Military Pay and Allowances		
Military Pay and Allowances - Ops & Support	2,348,984	2,462,807
Military Pay and Allowances - Acquisitions	-	33,423
Military Health Care	337,877	348,960
Permanent Change of Station	109,436	113,432
SubTotal	2,796,297	2,958,622
Civilian Pay and Benefits		
Civilian Pay and Benefits - Ops & Support	570,921	633,319
Civilian Pay and Benefits - Acquisitions	-	(2,650)
SubTotal	570,921	630,669
Training and Recruiting		
Training and Education	83,845	85,593
Recruiting and Training Centers	97,402	100,955
SubTotal	181,247	186,548
Operating Funds and Unit Level Maintenance		
Atlantic Command	167,049	177,020
Pacific Command	179,358	198,488
1st District	50,641	58,573
5th District	22,845	22,222
7th District	63,815	77,138
8th District	40,056	46,129
9th District	28,776	32,084
11th District	17,369	17,437
13th District	20,593	23,230
14th District	16,130	19,401
17th District	25,624	31,734
Headquarter Directorates	257,812	271,914
Headquarter Managed Units	125,108	131,153
Other Activities	623	31,676
SubTotal	1,015,799	1,138,199
Centrally Managed Accounts		
Centrally-Managed Operating Expenses	202,664	226,215
SubTotal	202,664	226,215
Intermediate and Depot Level Maintenance		
Aeronautical	265,979	295,950
Electronic	111,736	118,968
Civil/Ocean Engineering & Shore Facilities	176,899	171,317
Vessels	156,620	167,807
SubTotal	711,234	754,042
SubTotal Operating Expenses	5,478,162	5,894,295
DOD Transfer - Operation Iraqi Freedom	90,000	-
Total Operating Expenses	5,568,162	5,894,295

Figure 1 - Operating Expenses (OE) Appropriation – Breakout by Program, Project and Activity (PPA)

The AC&I CIP reflects USCG planning figures as of the time of the budget submission and is subject to change as the DHS FYHSP is revised/updated.						
	FY 2007 Enacted	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
VESSELS AND CRITICAL INFRASTRUCTURE PROJECTS	\$26,850	\$9,200	\$73,000	\$76,000	\$83,000	\$85,000
Response Boat - Medium (RB-M)	\$24,750	\$9,200	\$64,000	\$64,000	\$65,000	\$65,000
Inland Riverbenders' Emergency Sustainment Project	\$0	\$0	\$9,000	\$12,000	\$18,000	\$20,000
Special Purpose Craft-Law Enforcement (SPC-LE)	\$1,800					
AIRCRAFT	\$15,000					
Replacement HH-60 aircraft	\$15,000					
INTEGRATED DEEPWATER SYSTEMS	\$1,144,566	\$836,866	\$1,028,300	\$1,071,700	\$1,126,500	\$1,098,000
Aircraft	\$344,386	\$327,416	\$232,300	\$445,900	\$228,900	\$249,700
Maritime Patrol Aircraft (MPA)	\$148,116	\$170,016	\$86,600	\$265,400	\$45,200	\$46,100
Unmanned Aerial Vehicle (UAV)	\$4,950	\$0	\$0	\$0	\$0	\$0
HH-60 Conversion Projects	\$49,302	\$57,300	\$52,700	\$52,400	\$21,400	\$12,800
HC-130H Conversion/Sustainment Projects	\$48,955	\$18,900	\$24,500	\$55,300	\$89,200	\$120,900
HH-65 Conversion/Sustainment Projects	\$32,373	\$50,800	\$68,500	\$72,800	\$73,100	\$69,900
Armed Helicopter Equipment (Airborne Use of Force)	\$55,740	\$24,600	\$0	\$0	\$0	\$0
HC-130J Fleet Introduction	\$4,950	\$5,800	\$0	\$0	\$0	\$0
Surface	\$632,560	\$297,000	\$567,700	\$442,300	\$602,400	\$662,100
National Security Cutter (NSC)	\$417,780	\$165,700	\$353,700	\$153,000	\$520,800	\$481,400
Offshore Patrol Cutter (OPC)	\$0	\$0	\$30,000	\$100,000	\$0	\$73,800
Fast Response Cutter (FRC) - A Class	\$41,580	\$0	\$0	\$0	\$0	\$0
110-ft Patrol Boat SLEP / Fast Response Cutter (FRC) - B Class	\$126,694	\$53,600	\$115,300	\$132,300	\$123,400	\$61,500
IDS Small Boats	\$1,188	\$2,700	\$2,400	\$2,900	\$3,000	\$3,100
Patrol Boats Sustainment	\$45,318	\$40,500	\$30,800	\$17,500	\$7,500	\$500
Medium Endurance Cutter Sustainment	\$167,620	\$34,500	\$35,500	\$36,600	\$37,700	\$41,800
Other	\$0	\$212,450	\$238,300	\$183,500	\$205,200	\$186,200
Technology Obsolescence Prevention	\$0	\$700	\$1,500	\$1,900	\$1,800	\$3,600
C4ISR	\$50,000	\$89,630	\$92,100	\$45,000	\$65,800	\$45,000
Logistics	\$36,000	\$36,500	\$37,700	\$38,600	\$38,600	\$37,600
Systems Engineering and Integration	\$35,145	\$35,145	\$37,000	\$37,000	\$37,000	\$37,000
Government Program Management	\$46,475	\$50,475	\$60,000	\$61,000	\$62,000	\$63,000
OTHER EQUIPMENT	\$119,823	\$113,600	\$110,474	\$172,000	\$109,100	\$132,700
Nationwide Automatic Identification System (NAIS)	\$11,238	\$12,000	\$14,600	\$39,500	\$36,500	\$37,100
Rescue 21	\$39,600	\$80,800	\$80,000	\$80,000	\$20,000	\$0
High Frequency (HF) Recapitalization	\$2,475	\$2,500	\$2,500	\$2,500	\$2,600	\$2,600
Command 2010 (Port C4ISR Enhancements)	\$0	\$0	\$9,000	\$50,000	\$50,000	\$93,000
Defense Messaging System	\$0	\$5,000	\$4,074	\$0	\$0	\$0
National Capital Region Air Defense	\$66,510	\$11,500	\$0	\$0	\$0	\$0
Maritime Security Response Team (MSRT) CT Shoot House	\$0	\$1,800	\$0	\$0	\$0	\$0
SHORE FACILITIES AND AIDS TO NAVIGATION	\$22,000	\$37,897	\$30,900	\$31,500	\$32,100	\$32,700
Survey & Design Shore Operational and Support Projects	\$2,350	\$1,337				
Minor AC&I Shore Construction Projects	\$1,450					
Coast Guard Housing - Cordova, Alaska	\$4,500	\$7,380				
Rebuild Station Marquette		\$6,000				
Rescue Swimmer Training Facility		\$13,300				
ISC Seattle Group, Sector Admin Ops Facility Phase II	\$2,600					
Chase Hall Phase I Completion	\$1,000					
Neah Bay Completion	\$1,200					
Group Long Island Sound Completion	\$1,000					
Rebuild Station & Waterfront at Base Galveston Phase I	\$5,200	\$5,200				
Construct Duty Berthing and Boat Maintenance Bay at Station Washington	\$2,180	\$2,180				
Waterways ATON Infrastructure	\$2,700	\$2,500				
PERSONNEL AND RELATED SUPPORT	\$81,000	\$505	\$500	\$500	\$500	\$500
Direct Personnel Costs	\$80,500	\$505	\$500	\$500	\$500	\$500
AC&I Core	\$500					
RESCISSIONS						
Rescission of prior Fast Response Cutter (FRC) funding pursuant to P.L. 109-295	-\$78,694					
Rescission of prior Offshore Patrol Cutter (OPC) funding pursuant to P.L. 109-90	-\$20,000					
Rescission of prior NAIS funding pursuant to P.L. 109-90	-\$4,100					
Proposed rescission of prior OPC funding		-\$48,787				
TOTAL	\$1,306,145	\$949,281	\$1,242,874	\$1,351,700	\$1,351,200	\$1,348,900

Figure 2 - Acquisition, Construction & Improvements Appropriation - FY 2008-FY 2012 Five Year Capital Investment Plan

Section 3: FY 2006 Performance Summary

Maritime Safety, Security and Stewardship are enduring roles of the Coast Guard. The Coast Guard achieves the long-standing responsibilities encompassed in these roles through the execution of the eleven statutorily mandated mission-programs. The multi-mission character of the Service is defined by the ability to conduct distinct yet complementary functions in the maritime domain. While each mission-program is aligned to a single role, they each

functionally contribute across multiple roles. For example, while our aids to navigation mission-program primarily supports our Maritime Stewardship role by facilitating the movement of people and goods, this system of federal aids also supports Maritime Safety by preventing accidents. Table 5 shows the primary alignment among Coast Guard roles and mission-programs, as well as a summary of recent performance results.

USCG Mission Programs (per HSA §888)	Search and Rescue	Marine Safety	Aids to Navigation	Ice Operations	Marine Environmental Protection	Living Marine Resources	Other Law Enforcement	Illegal Drug Interdiction	Undocumented Migrant Interdiction	Ports, Waterways, & Coastal Security	Defense Readiness
DHS Goals / Objectives	Response (4.3)	Prevention (2.3)	Service (6.3)	Service (6.4)	Response (4.1, 4.2) Protection (3.6) Recovery (5.2)	Protection (3.6)	Prevention (2.1)	Prevention (2.1)	Prevention (2.1) Service (6.3)	Prevention (2.1, 2.5) Protection (3.1) Response (4.1, 4.2)	Prevention (2.4)
	Awareness (1.1, 1.4)										
Budget (\$M)											
2006 Actual	914.1	804.6	1,198.9	116.6	370.8	868.1	122.1	1,436.7	574.5	1,718.4	550.4
2007 Enacted	918.0	700.1	1,140.2	148.0	340.8	850.2	160.7	1,349.2	515.1	1,840.4	664.1
2008 Request	916.3	753.9	1,229.9	157.6	371.8	796.9	131.4	1,292.7	520.9	1,928.2	626.8
Performance											
2006 Results	●	●	●	■	■	●	■	◆	●	■	●
2007 Target	86%	4,549	1,664 or fewer	2 (avg); 8 (severe)	19 or less	97%	199	26%	91%	15%	100%
2008 Target	86%	4,365	1,600 or fewer	2 (avg); 8 (severe)	19 or less	97%	195	28%	93%	15%	100%
HSA Mission	Non-Homeland Security								Homeland Security		

Results

■ Performance Target for that fiscal year was met ● Performance target for that fiscal year was not met ◆ To be determined

Table 5

Safety... The most basic responsibility of the U.S. government is to protect the lives and safety of its citizens. In addition to the value of lives saved, Coast Guard maritime safety activities minimize damage to property, the environment and the U.S. economy.

The role of Safety is accomplished primarily through the mission-programs of: *Search and Rescue and Marine Safety.*

Search and Rescue

No one can predict when the next distress event will occur or whether it will be natural or man-made. Nevertheless, it will come, and the public expects the Coast Guard to be mission ready to answer the call and respond.

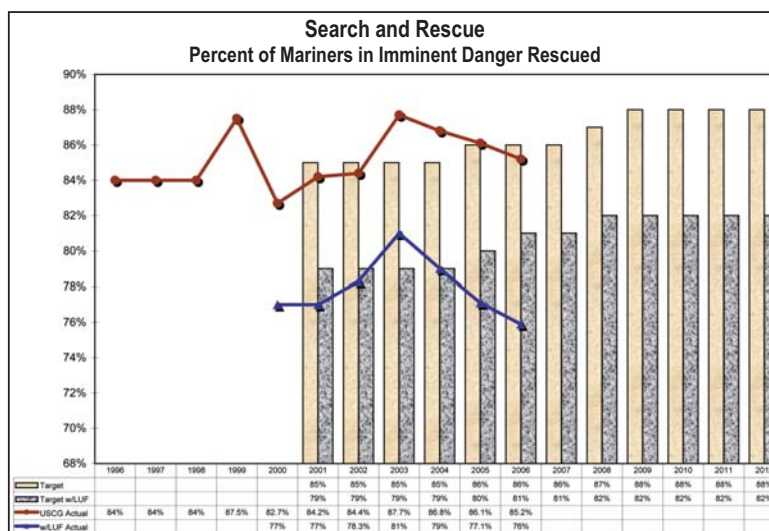
The Coast Guard rescued 85.3 percent of mariners in imminent danger during 2006. This performance is consistent with recent years. While the overall number of Search and Rescue cases responded to by the Coast Guard is slowly declining (28,316 in 2006 – down from 29,780 in 2005), those cases where mariners are in danger continue at a steady rate. This performance level does not include Lives Unaccounted For (LUF), which is the number of persons missing when search and rescue operations cease. In FY 2007 the performance level including LUF will be officially reported in parallel with the existing measure to provide a baseline level for establishment of future performance goals. A transition to reporting only the performance level including LUF will follow in subsequent years.



The Coast Guard maintains an extensive nationwide command and control infrastructure and a first response capability focused on saving lives. In 2006 the Coast Guard began the implementation of key improvements through the following systems:

- Rescue 21
- Response Boat – Medium
- Aircraft upgrades through the Deepwater Program

In 2007, deployment of Rescue 21 will continue and greatly enhanced search planning tools will be delivered to Coast Guard Command Centers.



Marine Safety

Protecting the lives and ensuring the safety of Americans is a fundamental national interest, and the Coast Guard is the primary federal agency for developing and ensuring compliance with marine safety regulations and standards for recreational boating and commercial vessels. We act to prevent death and injury to tens of thousands of U.S. mariners, millions of passengers on ferries and other vessels, and tens of millions of recreational boaters.

More than 77 million adults and millions more youth engage in recreational boating, which results in the third highest annual number of transportation fatalities – recreational boating deaths are on the National Transportation Safety Board's Most Wanted list.

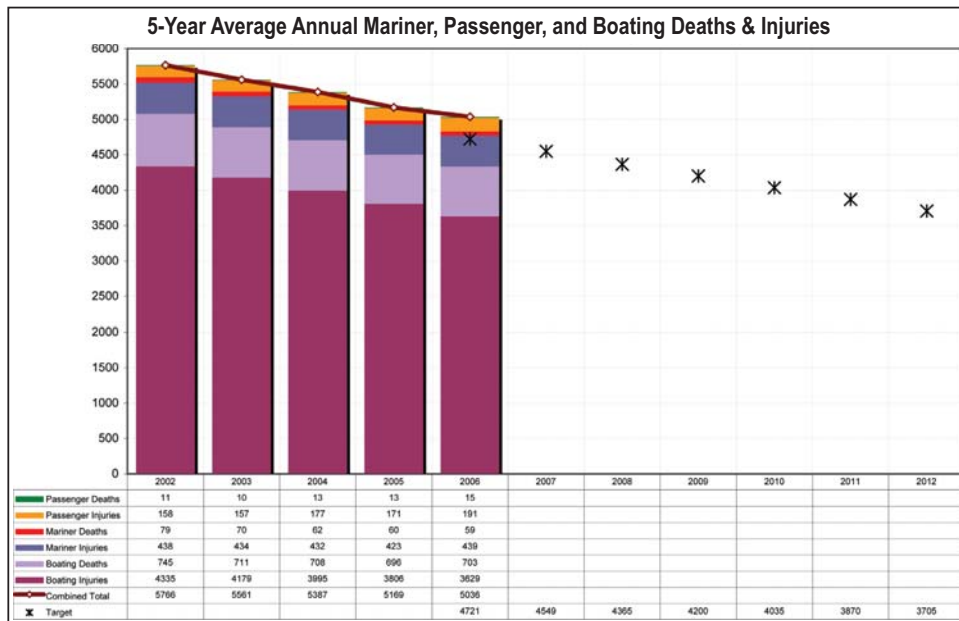
Recreational Boating Safety

The Coast Guard acts to enhance boating safety by developing vessel construction and performance standards; and we ensure compliance through a robust program of factory inspections. We visit over 2,000 active recreational boat manufacturers each year. We promulgate safety equipment carriage requirements and are in partnership with state and local enforcement agencies. More than one million recreational vessels are boarded and inspected each year.

Commercial Vessel Safety

The Coast Guard strives to protect crewmembers on board U.S. commercial vessels and passengers on vessels operating in American waters, and is the primary federal agency for developing and ensuring compliance with marine safety regulations and standards for commercial vessels. We are responsible for the documentation of U.S. commercial vessels; we certify the competency and qualifications of over 200,000 mariners through the Merchant Mariner Licensing and Documentation program; we investigate marine safety incidents and make our findings available through the Proceedings of the Marine Safety Council, Navigation & Vessel Inspection Circulars, and other policy and guidance; and we promote safe practices through partnerships with industry associations, state & local governments, and other federal agencies.

The Coast Guard employs a risk-based decision-making approach to focus inspection and compliance efforts toward the most pressing needs. For example, the Port State Control Program tracks deficiencies by ship type, history, class, flag and owner. This provides a warning of excessively poor performance, and allows such vessels to be placed in a status where they will be boarded more frequently. We are also improving commercial vessel safety by expanding our regulation and compliance efforts to include towing vessels. Towing vessels, and the barges they move account for more than 60 percent of the vessels involved in collisions, allisions and groundings and 34 percent of mariner deaths and reportable injuries. Recent passage of The Coast Guard and Maritime Transportation Act of 2004 amends 46 USC 3306, allowing the Secretary



to “establish by regulation a safety management system appropriate for the characteristics, methods of operation, and nature of service of towing vessels.” The process, begun in November 2004, will expand the number of vessels subject to inspection by some 40 percent.

Coast Guard Prevention efforts continue to demonstrate results in minimizing deaths and injuries to mariners, passengers and recreational boaters despite the general increase in shipping congestion and personnel casualty risk due to collision, allision and grounding. The 5-year average annual number of deaths and injuries has been reduced to 5,036. 4,881 deaths and injuries were recorded in FY 2006, notably lower than the 5-year average.



A Coast Guard marine inspector checks the engine room bilge, bilge pump and overboard discharges for compliance with federal regulations. Federal law prohibits the discharge of oil and waste into the water from a vessel.

Security ... An essential attribute of any nation is its ability to protect its citizens and to maintain sovereign control of its land, air and sea borders. In the maritime domain, this means exerting and safeguarding sovereignty in the nation's internal waters, ports and waterways, and littorals, as well as protecting vital national interests on the high seas.

The role of Security is accomplished primarily through the mission-programs of: **Ports, Waterways, and Coastal Security, Drug Interdiction, Migrant Interdiction, Other Law Enforcement (EEZ Enforcement) and Defense Readiness.**

Ports, Waterways and Coastal Security

The goal of the Coast Guard's program for Combating Maritime Terrorism (CMT) and Ports, Waterways and Coastal Security (PWCS) is to reduce terrorism risk in the maritime domain. Supporting the *Security* component of the *U.S. Coast Guard Strategy*, this program aims to prevent attacks outright, to decrease the maritime's vulnerability to them and to respond and recover from attacks that may occur. Three primary courses of action advance these goals:

- Achieving Maritime Domain Awareness
- Conducting Maritime Security and Response Operations
- Leading a Maritime Security Regime

Within this framework, the Coast Guard continued to build out and implement initiatives that reduce the risk of terrorism in the maritime domain. For FY 2006, highlights include:

- *A shift in focus on security verifications*, from U.S. inspected vessels to uninspected vessels. As of October, the Coast Guard had examined 78 percent of the over 5,000 uninspected vessels for security compliance.

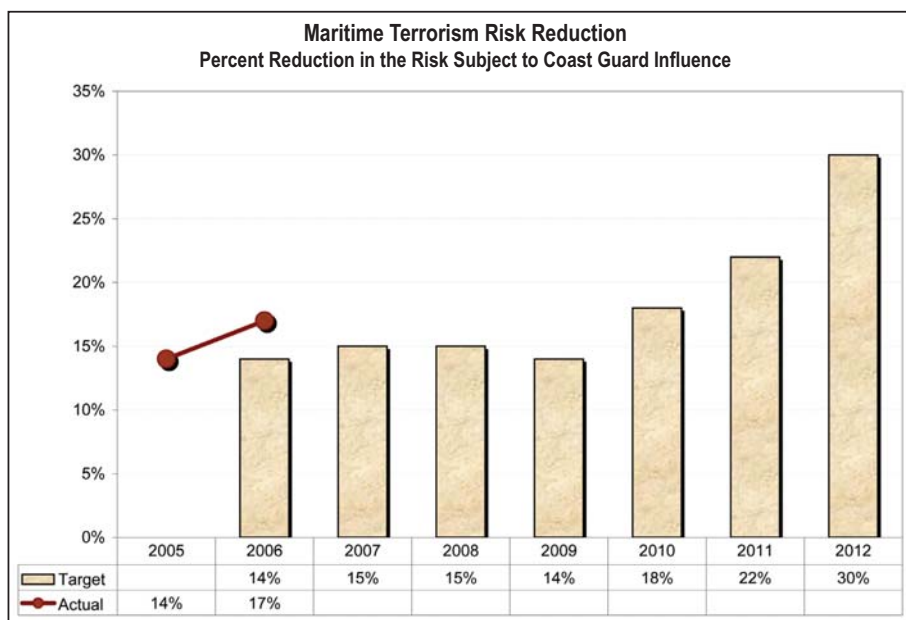
- *Enhancements at the Maritime Law Enforcement Academy.* These included curriculum enhancements aimed at radiation detection, relocation to a larger facility and the transformation of a decommissioned cargo ship into an interagency training platform. Improvements like these strengthen the effectiveness of security-related vessel boardings, which the Coast Guard conducted over 8,700 of last year.
- *Comprehensive reviews of 23 nuclear and three chemical facilities.* This effort involved working with other agencies to identify maritime vulnerability gaps in the protection of these facilities.
- *Deployment of biometric identification capabilities to underway Coast Guard cutters.* While still in the proof-of-concept phase, this type of capability will ultimately assist in closing security gaps in our nation's "wet border". Using this system, the Coast Guard has already identified several people on immigration violation watchlists.
- *Development of a Maritime Security Risk Analysis Model (MSRAM),* which provides local commanders the ability to assess the risk of attacks on maritime infrastructure and the maritime transportation system and then select mitigation strategies. The Coast Guard continues the development of a geo-spatial risk map of the maritime domain.
- *Promulgation of improved strategic and operational guidance.* This included an update to the operation

order that provides guidance to field commanders, and the release of the program's first strategic plan.

- *Testing of explosive screening technology for ferry security* - aimed at creating industry standards for screening practices and training.
- *The continued build-out of systems and programs that will increase Maritime Domain Awareness.* Milestones included the continued prototyping and testing of the Automatic Identification System for vessels, and several management improvements to the Inland Rivers Vessel Movement Center.
- *Ongoing assessment of the anti-terrorism measures of U.S. trading partners.* This program has resulted in the imposition of appropriate conditions of entry for vessels calling from particular countries.

In 2006, the Coast Guard accomplished much in strengthening and formalizing important partnerships:

- In August, the Coast Guard and DoD entered into an agreement focused on the protection of strategic naval units. Implementation of the SSBN Transit Protection System will provide greater security for these vital national assets.
- Another DOD/DHS agreement will facilitate the rapid transfer of DOD forces to Coast Guard to support Homeland Security Operations.



Note: The FY 2006 Department of Homeland Security Performance and Accountability Report reported 18 percent, the most accurate figure then available.

- And in June, the Coast Guard and Customs and Border Protection entered into an agreement covering a broad range of shared issues, which include radiation detection, joint targeting of boardings, cargo security and improved data sharing.

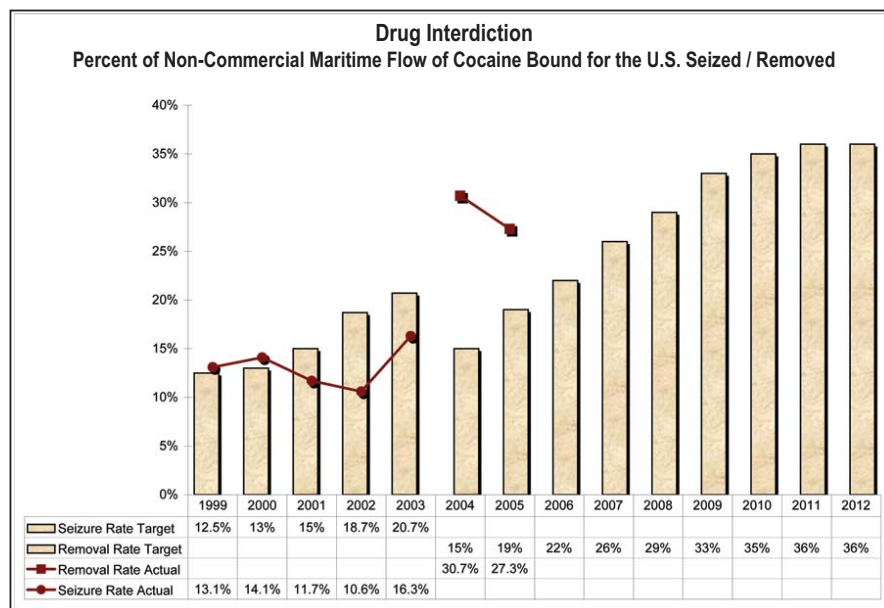
The Coast Guard estimates that in FY 2006, it reduced approximately 17 percent of the maritime terrorism risk subject to Coast Guard influence, 3 percent above its performance target of 14 percent. However the model was modified significantly this year with the incorporation of several improvements; as a result, year-to-year comparisons will be more meaningful in the next and following years.

Illegal Drug Interdiction

The U.S. Coast Guard interdicts illegal drug shipments by apprehending smugglers at sea attempting to import illegal drugs into the United States. The Coast Guard's efforts to halt the destructive influence of drug consumption by disrupting the drug market helps stem other criminally related acts, and denies potential funding sources for terrorism, transnational crimes and other illegal activities.

The target for 2006 was to remove 22 percent of the cocaine bound for the U.S. via non-commercial maritime (NCM) conveyance, which accounts for over 90 percent of all cocaine in transit to the U.S. The percentage of cocaine removed from the total flow is not yet available, but the program anticipates exceeding the target based on averages from the last several years. In FY 2005, the Coast Guard removed 27.3 percent of NCM cocaine flow to the U.S., which exceeded the 19 percent goal. The target for 2007 is to remove 26 percent of cocaine shipped via NCM.

Critical to the Coast Guard's successful drug interdiction efforts were: numerous enforcement partnerships, such as the deployment of Coast Guard Law Enforcement Detachments aboard U.S. Navy and allied warships; increased international, inter-department and inter-agency cooperation/coordination, such as the joint investigation PANAMA EXPRESS, which has produced tactical, actionable intelligence; and the expansion of the Airborne Use of Force (AUF) capability to U.S. Navy and allied helicopters to counter the threat of "go-fast" vessels that carry drugs across the Caribbean and Eastern Pacific.



Note: The Cocaine Removal Rate is the amount of cocaine directly seized by the Coast Guard, as well as that which is lost to smugglers through jettisoning, burning and other non-recoverable events, divided by the total Non-Commercial Maritime Cocaine Flow (NCM). Transition from a Cocaine Seizure Rate to a Cocaine Removal Rate as the lead drug performance measure occurred in FY 2004, in order to more accurately report the impact Coast Guard counter-drug activities are having on the illicit drug trade. Seizure, removal and NCM data are provided to the Coast Guard through external sources, including the Consolidated Counter-Drug Database (CCDB).

Undocumented Migrant Interdiction

The Coast Guard evaluates its migrant interdiction effectiveness by counting the number of undocumented migrants from four primary source countries; Cuba, Haiti, the Dominican Republic and the Peoples Republic of China against the combined estimated yearly migration threat³ from these countries. There were 5,552 successful migrant arrivals out of an estimated threat⁴ of 51,134 migrants in FY 2006, yielding a deterrence and interdiction rate of 89.1 percent, just over the 89 percent performance target.

An 11-year high of 2,810 Cuban migrants were interdicted, more than double the 1,225 interdicted in 2004, and an increase from the 2,712 interdicted in 2005. Maritime migration from the People's Republic of China (PRC) to the United States continues to decline.

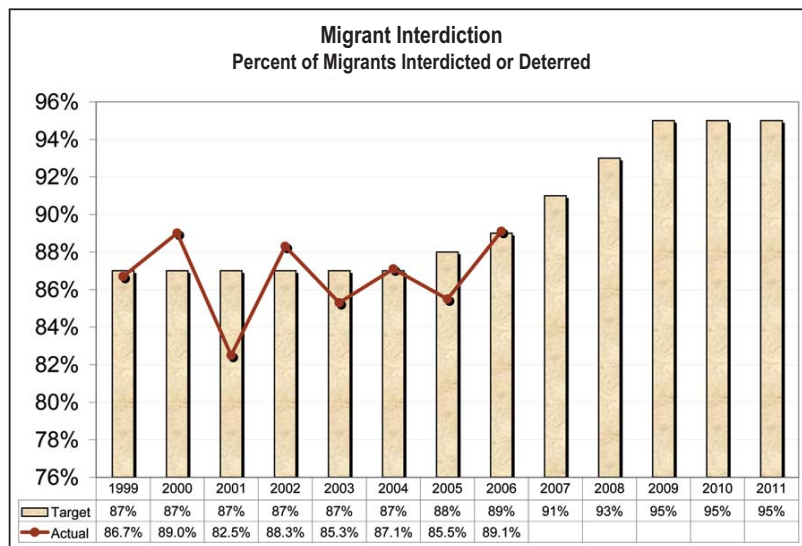
A new program outcome measure has replaced the one that has been used since 1995, and will be used in next year's annual report. The new measure, the Migrant Interdiction Rate, builds off the strengths of the old measure in that it implicitly includes joint, interagency and international efforts, and is an outcome measure with a direct link to the program's goal. This measure affords greater accuracy and better feedback on performance, and was recommended by the Center for Naval Analyses (CNA) as part of an independent third-party program evaluation.

Intelligence forecasts indicate migrant flows will increase over the next few years due to economic, political and



STRAITS OF FLORIDA—Eleven Cuban migrants attempt to reach the United States on a Chevy flatbed truck rigged with pontoons.

associated reasons. Although the program has instituted steps to deter this trend (including non-lethal use of force tools and more capable small boat end-game assets to improve interdiction efforts, and engaging the U.S. Attorney for more aggressive migrant smuggler prosecutions), out-year performance goals have been reduced to levels that are challenging, yet attainable in the current environment. Performance is projected to begin improving as newer and more capable Deepwater assets enter the force in the 2011 timeframe.



³ Migrant threat is the number of migrants that would attempt to migrate to the U.S. via maritime means if the Coast Guard did not conduct interdiction operations.

⁴ Estimated threat is the actual number, generated by the Intelligence Coordination Center each year, of migrants that would attempt to illegally enter the U.S. by maritime means absent Coast Guard interdiction operations.

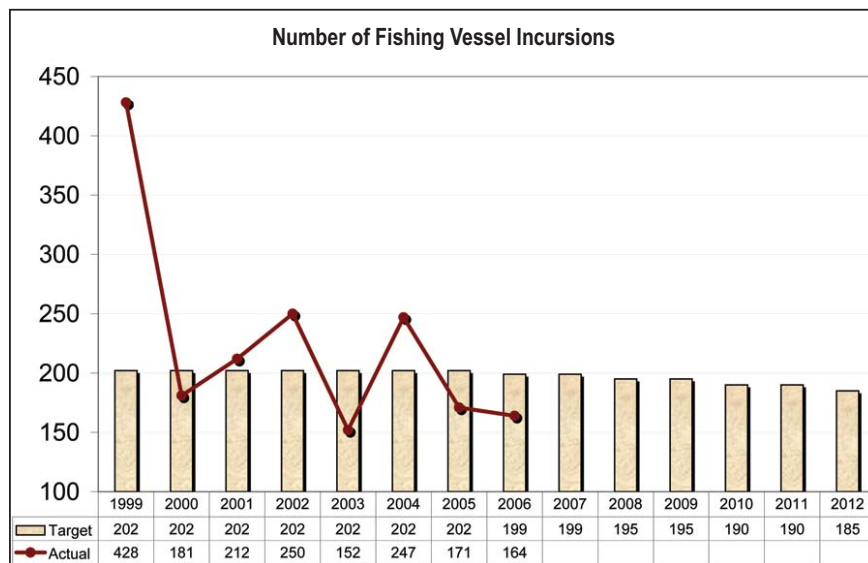
Other Law Enforcement (Protection of U.S. EEZ against foreign encroachment)

The Coast Guard met its performance goal of 199 or fewer incursions by foreign fishing vessels into the EEZ, having detected 164 in FY 2006. The Coast Guard identifies three particular regions as high-threat areas for illegal foreign incursions: along the U.S.-Mexican border in the Gulf of Mexico, along the U.S.-Russian Maritime Boundary Line (MBL) in the Bering Sea and around the eight non-contiguous U.S. EEZs in the Western/Central Pacific.

The Gulf of Mexico area is where the vast majority of illegal EEZ incursions take place. In FY 2006 this region accounted for 149 of the 164 total illegal foreign fishing vessel incursions. Encroachments in the other two high-threat areas were below our performance ceilings for those areas. Western/Central Pacific incursions remain at low levels (11 incursions in FY 2006), and incursions along the MBL continue to decrease (three in FY 2005 and two in FY 2006).

In FY 2006 Coast Guard and Mexican officials agreed on standard procedures for the disposition of interdicted lanchas, transfer of case information and prosecutorial feedback. Greater attention by Mexican officials on those Mexican fishermen violating U.S. sovereignty will likely reduce the number of these vessels making incursions into the U.S. EEZ.

The Coast Guard's effective presence along the Maritime Boundary Line and the focus of Russian fishing vessels primarily targeting stocks closer to the Russian coast continue to result in a low incursion rate. The Coast Guard continues to work with Russia to develop a U.S./Russian shiprider agreement to aid enforcement efforts in the Bering Sea. This agreement would allow Russian Federal Security Service officers to deploy on Coast Guard cutters patrolling the Maritime Boundary Line, easing the language barrier during boardings and ship-to-ship communications and increasing real-time sharing of information on both Russian and Russian-authorized foreign fishing vessels operating in the Russian EEZ.



Defense Readiness

As one of the Nation's armed forces, the Coast Guard, each year, contributes people and assets to U.S. Combatant Commanders operating around the globe. These forces, which include high endurance cutters, 110' Island-class patrol boats, Law Enforcement Detachments (LEDETs), Port Security Units (PSUs) and other specialized units comprise unique support of the National Security Strategy. With more than 40 of the world's 70 naval forces structured like, and focused on, performing *Coast Guard* functions, U.S. Combatant Commanders continue to seek Coast Guard capabilities to support their theater security cooperation initiatives intended to promote democratic values and improve the international security environment.

In support of the Global War on Terrorism, the Coast Guard, in FY 2006, protected and safely escorted nearly 100 military sealift movements carrying over nine million square feet of indispensable military cargo. In the Arabian Gulf, six patrol boats, two LEDETs and their support and command elements bolstered the naval component commander's ability to secure the sea lanes, prosecute terrorism at sea, and protect the vital off shore oil structures of Iraq.

Last year, the Coast Guard participated in multinational military exercises all over the world, ranging from training exercises in the Caribbean to intercept operations in the Eastern Mediterranean and Black Seas. Mobile training teams also provided training assistance to 50 nations worldwide. Coast Guard cutters made international port calls, including calls to the People's Republic of China, promoting U.S. national interests, improving military relations, and engaging in mutually-shared Coast Guard-

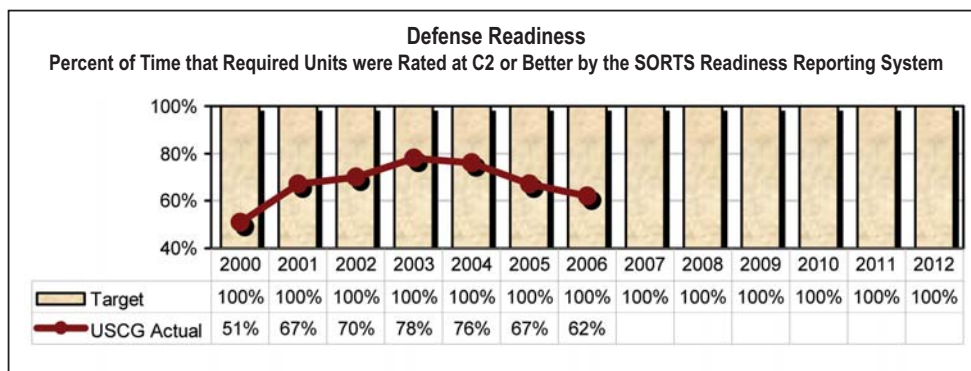


PSU (Port Security Unit) 312 practices small boat operations in San Francisco Bay.

specific objectives.

The Coast Guard did not meet its target of 100 percent defense readiness last year, falling from 67 to 62 percent in its SORTS⁵ readiness rating for required units. The primary contributor was PSU readiness, which remained below standards. Staffing shortages, responsible for previous readiness shortfalls among PSUs, have been resolved - now, the focus is on accomplishing individual and unit training requirements. Full training readiness will not be achieved immediately, however, since PSUs are primarily staffed with reservists who have a limited number of annual drills during which to train.

Declining readiness among major cutters (a 15 percent drop) also contributed to not achieving defense readiness targets. To the extent that cutter readiness is affected by equipment casualties, it is expected that continued implementation of the Integrated Deepwater System will reduce these types of readiness shortfalls.



Note: 78 percent and 69 percent were listed, respectively, in the 2004 and 2005 DHS Performance and Accountability Reports. These figures were the most accurate available at the time.

⁵ SORTS is the *Status of Resources and Training* readiness reporting system.

Stewardship ... The nation's prosperity relies on the balanced and sustainable use of inland, coastal and ocean waters and resources. The foundation for this prosperity - an efficient, resilient Marine Transportation System - must be maintained in order to facilitate maritime mobility and protect the nation's economy. At the same time, the marine environment must be protected against threats from pollution, environmental degradation, the spread of invasive species, and the illegal harvesting of marine resources.

The role of Stewardship is accomplished through the mission-programs of: *Marine Environmental Protection, Living Marine Resources, Aids to Navigation, and Ice Operations.*

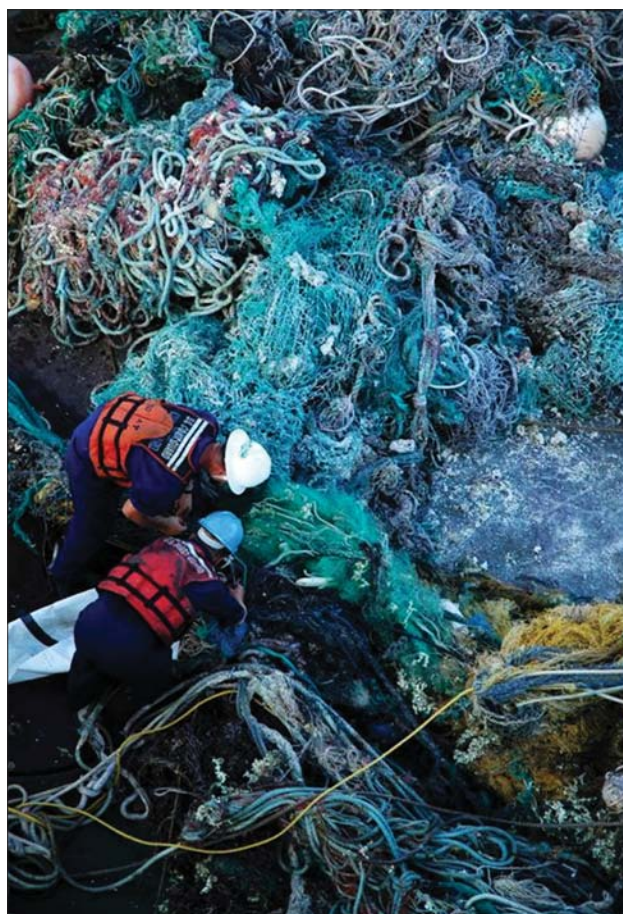
Marine Environmental Protection

Stewardship of the marine environment is a national imperative; averting the introduction of invasive species, stopping unauthorized ocean dumping and preventing the discharge of oil or hazardous substances upon the navigable waters of the United States is a primary Coast Guard mission.

The Coast Guard acts to protect the marine environment through its prevention and response service delivery processes. We develop regulations and operating standards for domestic vessels and marine facilities; we represent the United States at the International Maritime Organization as an advocate for responsible international environmental and operational standards; and Coast Guard personnel stationed around the country enforce standards by conducting periodic inspections and boardings. When accidents do happen, the Coast Guard responds in partnership with other federal agencies, state and local governments and the maritime industry to ensure the impacts of a spill are minimized.

Oil and Chemical Spills

The Coast Guard reports its Marine Environmental Protection performance as a five-year average of chemical spills and oil spills greater than 100 gallons, into maritime waters from vessels and facilities subject to Coast Guard regulation, per 100 million short tons shipped. This average has declined steadily for more than a decade.



AT SEA--Coast Guard Cutter KUKUI crewmembers remove the taglines attaching a pile of debris to the crane that just lifted it on the ship's buoy deck. The debris was then pulled by hand into piles and secured for the transit to Honolulu.

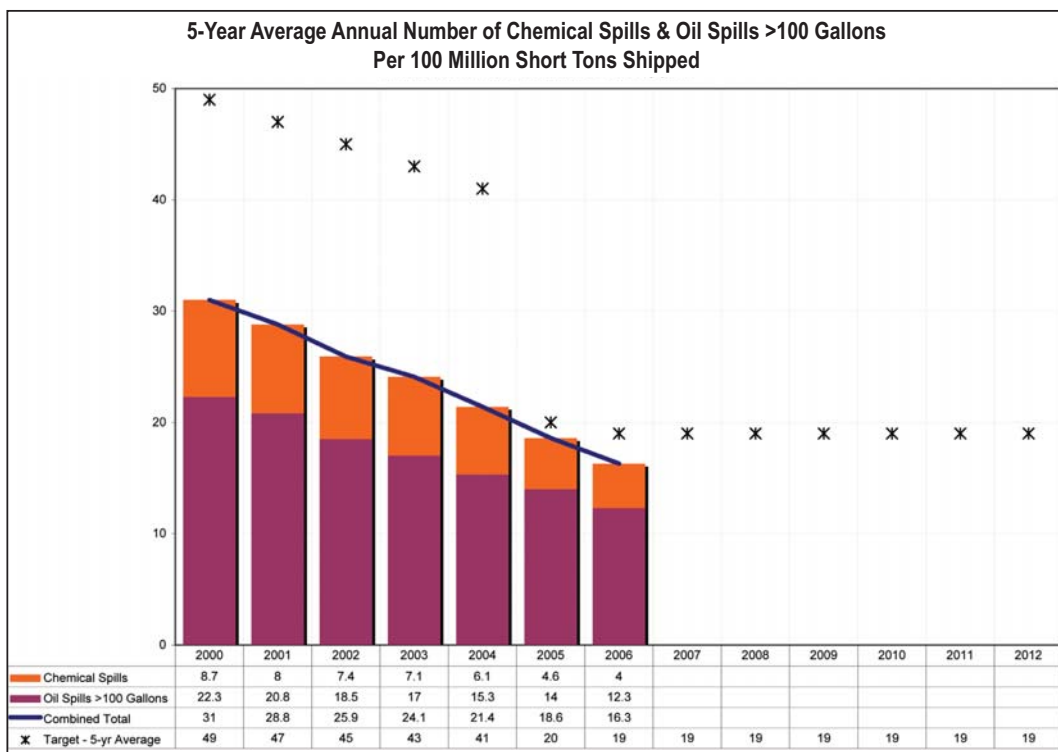
There were 202 chemical spills, and oil spills greater than 100 gallons, in FY 2006, up slightly from the 183 recorded in 2005. The 5-year average annual number of such spills decreased to 206 from 231 last year - to 16.4 spills per 100 million short tons shipped from the previous 5-year average of 18.7.

Towing vessels, and the barges they move, account for about 17 percent of significant oil and chemical spills, and about 24 percent of the volume of oil spilled into U.S. waters. The Coast Guard Authorization Act of 2004 provides authority to the Coast Guard to establish regulations and standards for some 5,200 towing vessels - increasing the vessels subject to Coast Guard inspection by roughly 40 percent. Future improvements in marine environmental protection can be expected as we incorporate these new responsibilities into our environmental protection efforts.

through our Sea Partners program. Since 1994, Coast Guard and Coast Guard Auxiliary teams have conducted over 12,000 education and outreach activities involving more than 76,000 contact hours with state, local and federal officials, merchant mariners, offshore industry personnel, ferry operators, recreational boaters, sport and commercial fishers and other maritime stakeholders. We have been in contact with more than 5 million people, and have distributed over 13 million pieces of literature. We have developed effective working partnerships with EPA, the National Oceanic and Atmospheric Administration, the U.S. Fish and Wildlife Service, the Ocean Conservancy, the Marine Environmental Education Foundation and other agencies and organizations to expand outreach opportunities and enhance our marine environmental protection impact.

Living Marine Resources (LMR)

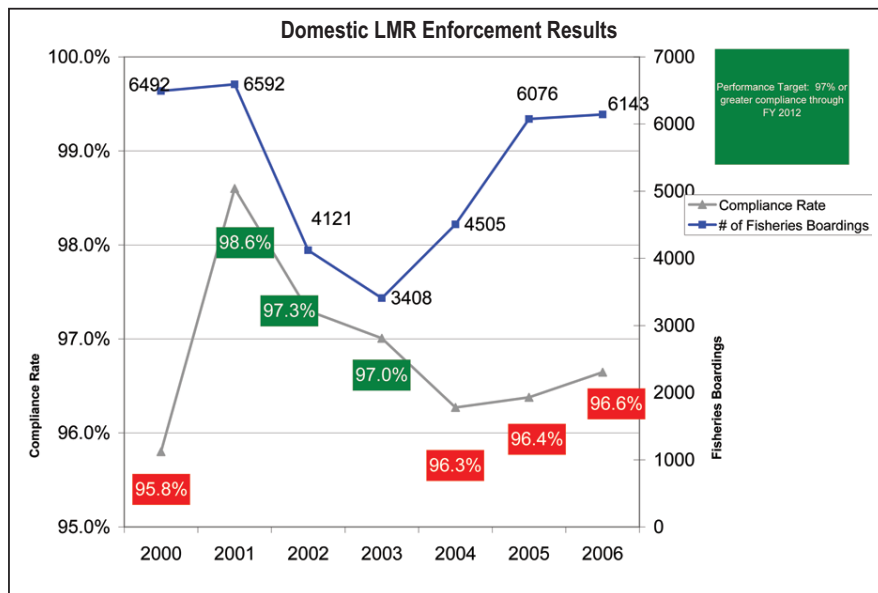
We also work to improve marine environmental protection



At-sea enforcement is a critical component to the success of our nation's multiple fishery management plans. To help improve species health, assist with the prevention of over-fishing, and maintain a level playing field for industry participants, the Coast Guard continues to measure the rate of at-sea compliance with federal regulations. The Coast Guard is the only agency with the maritime authority and assets to project federal law enforcement presence over the entire U.S. EEZ, which covers nearly 3.4 million square miles of ocean. FY 2006's 96.6 percent observed compliance rate remained below our goal of 97 percent, as it has since FY 2004. Three major fisheries were responsible for three-fourths of all significant fisheries violations: over half of the significant violations accrued in the Atlantic sea scallop and groundfish fisheries, where complex and continuously-changing fisheries regulations, particularly when combined with days-at-sea restrictions, contributed to a steady number of violations, and the remaining 25 percent occurred in the Gulf of Mexico/ South Atlantic shrimp fishery where several years of poor economic conditions in the shrimp fisheries, combined with the still significant effects of the 2005 hurricane season, continued to create a strong incentive for fishers to disregard regulations.

The Coast Guard will also continue to improve its operational efficiency and enforcement capability by leveraging the National Oceanic and Atmospheric Administration's (NOAA) National Vessel Monitoring System (NVMS). By continuing to work with NOAA to improve the sharing of data provided by NVMS, the Coast Guard can more efficiently plan, coordinate and conduct the fisheries enforcement mission. It is important, however, to recognize that though the increased use of NVMS will help with closed area enforcement, NVMS is not a substitute for at-sea enforcement presence to ensure compliance with gear and species-based regulations.

In an effort to improve compliance and sharpen organizational direction, consistent with our fisheries enforcement strategic framework in *Ocean Guardian* and our marine protected species enforcement strategic framework in *Ocean Steward*, we will continue to allocate resources to the LMR mission utilizing NVMS, intelligence and inter-agency cooperation.



Aids to Navigation / Waterways Management

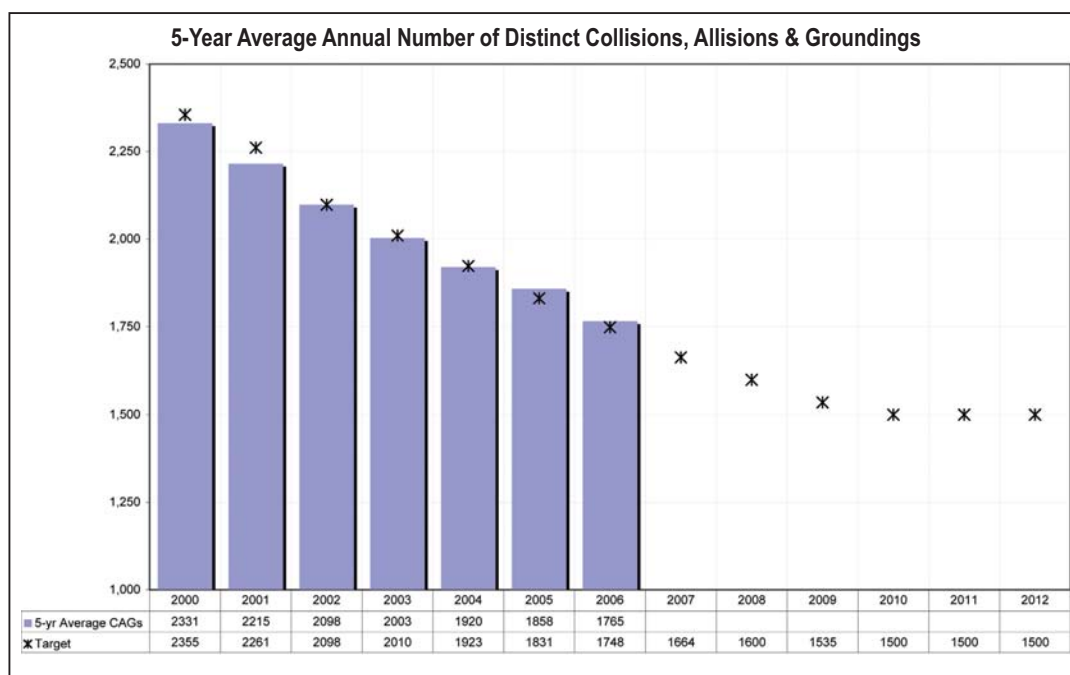
The Coast Guard promotes safe waterways and efficient marine transportation by conducting Waterways Management activities, which includes Bridge Administration, Aids to Navigation, Marine Information, Domestic Icebreaking and Vessel Traffic Management services. Our mission of minimizing disruptions to maritime commerce, while maximizing recreational access, is a vital national interest. The Marine Transportation System (MTS) carries more than \$958 billion of international commerce - 1.4 billion tons of cargo, including 25 million containers. It is how most of our nation's food, clothing, oil and other raw materials reach our warehouses, stores and gas tanks. The MTS supports military sealift requirements for national defense, serves more than 9.7 million cruise passengers and 64 million ferry passengers a year and provides a venue for boaters who operate more than 12.8 million registered recreational vessels.

The Marine Transportation System consists of 25,000 miles of inland, intracoastal, and coastal waterways; encompasses 240 locks, 355 ports, 1,000 harbor channels, and 1,941 cargo terminals; and includes 18,000 bridges and 97,000 aids to navigation.

Aids to Navigation

Providing a continuous, accurate, all-weather navigation aids and services system to users of the marine transportation system is central to the Waterways Management program. We conduct comprehensive port and waterway risk assessments to determine the optimal mix of navigation aids and services needed to minimize collisions, allisions, groundings and other vessel incidents that cause deaths and injuries, environmental and property damage, and lead to waterway closures that disrupt commercial and recreational activity. We publish and broadcast notices to mariners and provide information on how, when, and under what conditions vessels can use certain waterways.

We set and maintain some 97,000 short-range aids to navigation, such as buoys, lights and beacons. We restore aids made unavailable by major storms—hurricane Katrina required the servicing of nearly 1,800 of these. The Electronic Navigation program establishes, operates, and maintains electronic aids throughout the United States and the world. We operate eleven Vessel Traffic Services in critical ports and waterways where highly trained watchstanders employ a variety of sensors and communications systems to provide traffic information, navigation assistance and traffic organization services—assisting in more than 3,000 safe transits on a typical day.





Members of the crew of Coast Guard Cutter JUNIPER bring a buoy on board for servicing and maintenance in the Sandy Hook Channel. JUNIPER will be installing new, more efficient LED lanterns on a scheduled number of buoys along the Northeast coast on their winter patrol.

The Waterways Management program continues to demonstrate results in minimizing disruptions to maritime commerce - despite the general increase in shipping, congestion, and employment of larger, deeper-draft vessels that presents greater risk of collision, allision and grounding. By 2020, every major container port in the U.S. is projected to at least double the volume of cargo it will handle, with selected ports tripling or quadrupling in volume. Yet the 5 year average number of distinct collision, allision and grounding events continues to show year-to-year improvement. The number of these incidents recorded in FY 2006 declined to 1,654 and the 5-year average has been reduced to 1,765.

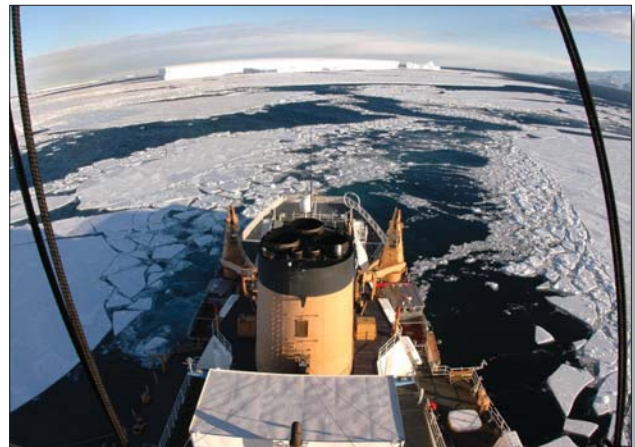
Major efforts to continue meeting targeted goals includes the Integrated AtoN Platform Modernization Project, which will replace, renew and standardize many of the small vessels the Coast Guard uses to establish and maintain the nation's AtoN system. This will result in improved effectiveness and efficiencies in routine AtoN activities, improved reliability of the AtoN system and a corresponding reduction of the risk of collisions, allisions and groundings.

Ice Operations

The United States relies on the sea and its own waterways throughout the year, and preventing impediments and disruptions to maritime commerce due to ice is a national concern and a key Coast Guard responsibility. The Coast Guard meets this challenge by providing domestic icebreaking services. We accomplish this mission through the hard work and dedication of our icebreaker sailors, and in collaboration with the Canadian Coast Guard.

The recent addition of the Great Lakes Icebreaker MACKINAW greatly added to the capability of our Ice Operations. MACKINAW is a multi-mission vessel that replaces two cutters: her 62-year old namesake and the Buoy Tender ACACIA.

Nine Great Lakes waterways have been identified as critical to icebreaking based on historical ice conditions, volume of ship traffic and potential for flooding - with the St. Mary's River identified as the reference point. Targets for this measure depend on the severity of the winter: no more than 2 closures during average winters, and no more than 8 during severe winters.⁶ During the most recent period, the normal winter season from December 2005 to March 2006, these waterways were kept open continuously.

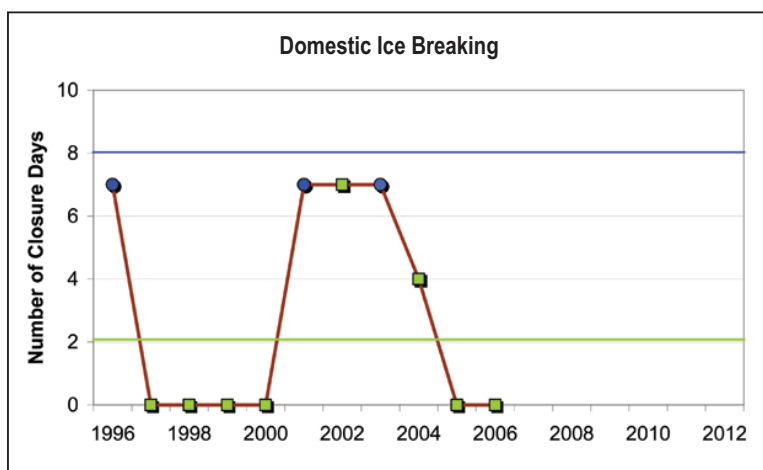


U.S. Coast Guard Cutter POLAR STAR Breaks Ice into McMurdo Station, Antarctica.

⁶ Winter severity is calculated using the method outlined in the Maximum Freezing Degree-Days as a Winter Severity Index for the Great Lakes, 1897-1977, by Raymond A. Assel.

In addition to domestic operations, the Coast Guard operates the only U.S. controlled icebreakers capable of operations in the polar regions. The Coast Guard operates

these cutters and is reimbursed for their operations and maintenance by the National Science Foundation.



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Notes

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The United States Coast Guard



All Threats, All Hazards, Always Ready

The United States Coast Guard is a multi-mission, military, maritime service committed to protecting America. Every day, teams of highly dedicated men and women use their training, skills and intelligence to make a difference securing our homeland, saving lives, enforcing the law, protecting the environment and keeping a vigilant watch. Now, more than ever, the Coast Guard provides opportunities where people can learn, grow and serve the American people by protecting the homeland, and keeping America safe.

**Commandant
U.S. Coast Guard
Washington, D.C. 20593**

(For more information about joining the Coast Guard or Coast Guard Reserves
contact 1-877-NOW USCG or www.gocoastguard.com)

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